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New perspectives on the history of products, firms, marketing, and consumers in Britain and the United States since the mid-nineteenth century[1]

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Two particular areas have attracted increasing attention from historians in recent years, those of business and consumption. The primary focus of those researching the history of business has been on supply factors: production, technology, finance, industrial structure, organization, policy and management, and labour relations. Those concerned with consumption have placed either markets or gender at the centre, the former examining factors influencing levels and patterns of demand and the latter exploring the personal interfaces, real or perceived, between supplier and/or advertiser and consumer. There is a hinterland between these two sets of concerns and approaches which, while not entirely overlooked, has attracted much less interest. The hinterland to which this article will draw attention, in which the study of firms and that of consumers overlap, is that of marketing activity in all its dimensions. That is the starting point for a survey which presents a critical examination of theoretical and empirical literature on the subject before redefining marketing, exploring the potential of 'the marketing concept' for historians, and finally suggesting more fruitful, interdisciplinary approaches which combine the study of business with social and cultural history. Sections I and II consider models and taxonomies which relate firms (and economies) to sequential orientations beginning with production and ending with activity driven by a philosophy of the marketing concept. The literature which relates product development to marketing, corporate strategy, and the consumer is explored in section III. The next section surveys the literature which connects technological innovation with research and development and considers its contribution to the history of product innovation and development. Section V reviews the literature

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on product development and diversification and assesses its significance for research into the history of product development, about which the final section poses questions and argues for an interdisciplinary focus in order to achieve a greater understanding of the interaction between business processes, internal and external, and consumption.

I

Two interdependent perspectives may be discerned in British scholars' approaches to the history of marketing. One involves an examination of the relationship between marketing and performance, whether at the level of the firm, industry, or economy. In relation to the performance of British business, the evidence and argument are evenly balanced between the optimistic[2] and the pessimistic[3] interpretations. Corley's case study which surveyed the food and health drinks industry in the period between 1930 and 1970 offered a tentative, more nuanced verdict. He concluded that industry-specific variations in marketing practices existed, and that 'better quality marketing was broadly found in the industrial sectors where Britain enjoyed a relative advantage and vice versa.'[4] Even supposing that, despite the hint of ambiguity, his generalization is provisionally acceptable, further questions need attention. What was the nature of that advantage which resulted in differential industry or corporate performance? Did it derive from marketing policies (and which elements were most important?), or from some other source affecting costs and/or quality of product? The contribution of marketing to performance will not become clear until considerably more research has been undertaken on the various elements in the marketing process.

Study of the nature of the process of marketing is the second approach adopted by historians who have sought to identify patterns and trends in marketing practice, to make comparisons, and to try to explain them. Both are necessary if an adequate scholarly history of marketing is to be written. Yet, with few and limited exceptions in which the focus is on retail distribution and organization, British historians have shown little interest in the development of marketing in the period since the industrial revolution. Until the 1980s there were parallels between the neglect of the history of marketing in Britain and in the United States. Savitt's 1980 article in the *Journal of Marketing* drew attention to the neglect of 'historical research in marketing',[5] by American historians, echoed in 1987 and 1993 by Corley who was similarly critical of British historians in that respect.[6] In the US there was a response, and a feature common to the work of most of those authors who from the mid-1980s sought

[2] Nicholas, 'Overseas marketing performance'.

[3] Chapman, *Merchant enterprise*, ch. 10.

[4] Corley, 'Best-practice marketing'.

[5] Savitt, 'Historical research'. For a survey of this literature on retailing, see Alexander and Akehurst, 'Emergence'.

[6] Corley, 'Consumer marketing'; *idem*, 'Marketing and business history'. Similar sentiments were expressed by Davenport-Hines in 1986, *Markets and bagmen*, pp. 1-15.

to fill the gap in American marketing history, was that they attempted to generalize and in so doing, either implicitly or explicitly, employed theoretical approaches combined with empirical research, either their own or that of others.[7]

In Britain the study of marketing continues mainly to take the form of a subsidiary theme within historians' studies of individual companies, an approach which has resulted in valuable contributions from historians of business. Among the best are those by Wilson on Unilever, Alford on Wills, Bartlett on the carpet industry, Chapman on Boots, Coleman on Courtaulds, Corley on Huntley and Palmer, Fitzgerald on Rowntrees, Foreman-Peck on Smith & Nephew, Payne on the Spencer enterprise, Wells on Hollins, and Wilson on Ferranti.[8] Chapman's study of merchant enterprise is exceptional in looking at the overall structure of merchanting systems, primarily in the textile industries, as well as exploring marketing strategies of individual enterprises.[9]

In 1993 Corley urged scholars to direct their efforts towards a more systematic approach to researching the history of marketing in Britain and to attempt to synthesize research in order to remedy the absence of 'all-encompassing generalisations'. He proposed the application of an integrated conceptual framework for analysis[10] in which the starting point was a definition of marketing offered by another British scholar: 'Marketing, in modern terms, involves deciding marketing objectives in relation to a firm's products and then integrating research, production, advertising, selling, and distribution into a policy and programme designed to secure these objectives.'[11] This formulation possessed the merit of extending the definition, which hitherto was largely confined to selling. On the basis of this broader definition, Corley proposed an analytical framework which involved a tripartite categorization of types of firm as oriented towards production, sales, or market.[12]

II

American historians of marketing will not be surprised by this taxonomy, which has a long history. It has been employed both to characterize the typical sequential development of individual firms and to describe stages in historical periods when certain characteristics were typical of most, if not all, firms. These categories of analysis are to be found in the American

[7] Notably, Fullerton, 'How modern?'; Hollander, 'Marketing concept'; Tedlow, *New and improved*; Marchand, *Advertising the American dream*; Strasser, *Satisfaction guaranteed*.

[8] Wilson, *History of Unilever*; Alford, *W. D. and H. O. Wills*; Bartlett, *Carpeting the millions*; Chapman, *Jesse Boot*; Coleman, *Courtaulds*; Corley, *Huntley and Palmers*; Fitzgerald, *Rowntrees*; Foreman-Peck, *Smith & Nephew*; Payne, *Rubber and railways*; Wells, *Hollins and Viyella*; Wilson, *Ferranti*.

[9] Chapman, *Merchant enterprise*.

[10] Corley, 'Marketing and business history'.

[11] Alford, 'New industries', p. 328.

[12] Corley, 'Marketing and business history', p. 100.

literature on the history of marketing and marketing thought.[13] Kotler, almost certainly the leading author of textbooks on marketing during the past 20 years, has described the different 'orientations towards the marketplace'. He refers to the production concept (which he distinguishes from the product concept) as a philosophy which assumes that consumers favour products which are widely available and low in cost, and hence a management preoccupation with high production efficiency and wide distribution rather than with selling and marketing. The product concept is similar, except that low cost is less important in management consideration than quality, performance, and innovativeness of products. In firms in which the selling/sales concept dominates policy, management assumes that consumers will not usually purchase sufficient products manufactured by the firm and that aggressive selling and promotion is necessary to secure substantial sales.[14]

In firms in which this philosophy is central, the aim is 'to sell what they produce rather than what the market wants'.[15] Finally, the marketing concept holds that the achievement of organizational goals results from the effective integration of market activities towards determining and satisfying the needs and wants of target consumers. The selling and marketing concepts imply different starting points in policy and priority. The 'factory-focused-on product' requires sales effort to sell as a means to profit; the marketing-oriented organization begins with a target market, establishes customer needs, and integrates marketing policy and activities in order to provide customer satisfaction and thereby secure profits in part through a cluster of attributes and presentation of the product as well as the product itself.[16] These concepts have been applied by American authors variously as a 'natural' sequence of stages which an individual company experiences, or as an account of the development of companies generally which share similarities in orientation and which alter as a consequence of changing economic environments.

Table 1 presents a convenient summary of attempts which have been made to generalize the history of marketing. It reveals the differences between American marketing textbook authors and their critics, historians of marketing thought and of marketing, and historians of advertising, the study of which becomes inseparable from marketing in modern times. The critics are unanimous in regarding the sequential textbook model which divides history into production, sales, and marketing eras as both oversimplified and inaccurate. Hollander apart, there is, however, some agreement that sequential stages are possible and analytically helpful. All agree that the origins of 'modern' marketing in the US occurred during the last quarter of the nineteenth century. The chronological stages differ, though, since each interpreted marketing as having developed as part of broader changes in the economic and social environment (a perspective

[13] Bartells, *History of marketing thought*; King, 'Marketing concept'; Kotler, *Marketing management*; see also Hollander, 'Marketing concept', and Fullerton, 'How modern?'.
[14] Kotler, *Marketing management*, pp. 17-19.
[15] Ibid., p. 19.
[16] Ibid., p. 20.

Table 1. *Schemas presenting stages in the history of marketing in the US*

Author	*Focus*	*Criteria*	*By 1880*	*1890*	*1900*	*1910*	*1920*	*1930*	*1940*	*1950*	*1960*	*1970*	*1980*
Keith and textbook authors	Marketing	Orientation of enterprises			Production era				Selling era		Marketing era		
Fullerton	Marketing	Institutions	Origins of marketing activity	Development of institutions of marketing. Department stores, advertising agencies, mail order, and decline of wholesalers.				Refinement and formalization. Market research and analysis, supermarkets, marketing education, marketing departments in companies.					
Tedlow	Marketing	(a) Institutions (b) Corporate strategy	*Fragmentation* Fragmented local markets and small firms; low volume, high margin strategies.		*Unification* National marketing of branded products in a unified mass market; low cost, high volume, low margin strategies.			*Segmentation* Increasing market segmentation based on psychographics and life style, radio and TV advertising, high volume, value-pricing strategies.					
Pope	Advertising	Institutions	Mass production of new products, 'traditional' methods of marketing, including advertising; department stores.		National marketing through branding, advertising agencies, and market research and modern marketing institutional structures.			Market segmentation for a mass market.					
Marchand	Advertising	Characteristics of advertising	Product-centred advertising oriented to use value. Advertising oriented to non-material benefit value offered by products, notably those related to status, prestige, and sex appeal.										
Leiss et al.	Advertising	Characteristics of advertising	*Product idolatry* Product-centred advertising oriented to use value and utility.					*Product iconology* Advertising appealing to the non-rational, employing symbols and metaphors for status, family and health concerns; social judgement a key factor.			*Narcissism* Personalization of products through advertising and a behavioural approach to stimulate pursuit of self-satisfaction.		*Totemism* Market fragmentation by lifestyle-oriented advertising
Strasser	Advertising/ marketing	(a) Characteristics of marketing (b) Institutions for distribution	Advertising appealing to 'rational' in relation to use volume; wholesaler dominance in marketing structure.		Market research and advertising oriented to lifestyle. Manufacturer-retailers becoming dominant as wholesalers and retailers.								

Sources: Baker, *Marketing strategy and management*; Cannon, *Basic marketing principles*; Fullerton, 'How modern?'; Hollander, 'Marketing concept'; Jefkins, *Modern marketing*; Jobber, *Principles and practices of marketing*; Kotler, *Marketing management*; Lancaster and Massingham, *Essentials of marketing*; Leiss et al., *Social communication*; Marchand, *Advertising the American dream*; Mercer, *Marketing*; Oliver, *Marketing today*; Pope, *Making of modern advertising*; Smallbone, *Practice of marketing*; Strasser, *Satisfaction guaranteed*; Tedlow, *New and improved*. See also Church, 'History of markets and marketing'.

which is true even of Pope[17] and Strasser[18] whose research focused specifically upon advertising), the disparities are not great. None the less, differences between the precise criteria which each has adopted and to which each attaches greatest significance are important because they reveal not only perceptions which may be inconsistent or incomplete but also frames of reference which are offered for comparisons with the history of marketing in other countries. Fullerton's model alone, detailed, though—as he admits—provisional, incorporates the 'pre-modern' period, 1600-1870, when 'traditional' marketing was essentially local and regional, forming stage 1 of his schema.[19] During that period, competition and an evolving system of distribution which included retailing, wholesaling, the activities of salesmen, and basic marketing methods intended to stimulate purchases by consumers, became established features of a commercialized economy. All regard the period from the 1880s to the 1920s as a crucial stage, though for different reasons. Both Pope and Fullerton emphasize the evolution of other significant institutions between the 1880s and 1929 as a consequence of the integration of a national market. In Fullerton's schema the second-stage characteristics included single-price selling, branded products marketed nationally, department stores, mail order, advertising agencies, market research, and the development of distribution delivery systems (refrigeration, for example). Pope located national branding and the formation of the institutional structures of advertising as characteristic of the period after 1890.[20] In their third stage, beginning in 1930, the novel characteristics are market segmentation, the formation of corporate departments of marketing, and marketing education.

The models presented by Strasser and Tedlow present radically different perspectives. Strasser believes that the modern marketing system (defined by the features of late twentieth-century institutions and practices) had been completed by 1920.[21] This reflects her emphasis on one particular outcome of competition between oligopolistic corporations trading in a national market in which traditional retailers and wholesalers competed with integrated mass manufacturer-retailers; out of this process, she argues, by 1920, traditional retailers and wholesalers were vanquished, the mass manufacturer-retailers emerging victorious. Tedlow's model, similarly firmly rooted in wider economic and social developments, none the less incorporates distinguishing features in his stages which, while he reckons them to be a consequence of the other institutional changes listed in other schemas, are unique to his analysis. This analysis incorporates a marketing dynamic into his model in which the criterion for dividing history into stages uses relationships between corporate sales volume, profit, and pricing policy. He regards the period between 1880 and 1920 as critical because of the shift from regional to national branding and marketing and the integration of manufacturing with retailing. However,

[17] Pope, *Making of modern advertising.*
[18] Strasser, *Satisfaction guaranteed.*
[19] Fullerton, 'How modern?', pp. 559-61.
[20] Pope, *Making of modern advertising.*
[21] Strasser, *Satisfaction guaranteed.*

the key change which Tedlow associates with these structural and organizational developments is the switch from a search for profitability based on low volume sales and high margins during the preceding phase to competition based on high volumes, low prices, low margins, and large profits.[22] Whereas Strasser detected no fundamental change to the system in place by 1920, Tedlow perceives the development of a form of market segmentation based on demographics and psychographics to alter the relationship between marketers and consumers, the former adopting high margins based on 'value pricing', discriminating between subgroups defined by such factors as age and lifestyle. The schemas which adopt institutional and structural features as their criteria for periodization differ only slightly from each other, though such lengthy stages as those presented by Fullerton, the most complete of the alternative models, have limited value in enabling us to uncover the detailed history of marketing. Hollander's virtual rejection of the possible utility of any sequential model, however, seems unduly negative.[23] The criticisms which such attempts have attracted caution against acceptance of either Strasser's or Tedlow's analysis. However, Tedlow's analysis gains a degree of plausibility, if not credibility, in the light of research into the history of advertising in the US between the 1890s and the 1980s approached from a sociological standpoint. While primarily concerned with contemporary social policy, the actual research method adopted by Leiss, Kline, and Jhally (hereafter LK&J) is also indirectly illuminating for historians of marketing.[24] Through semiological analysis and the deconstruction of images and text, they attempted to reveal advertisers' changing perceptions of, and assumptions concerning, consumer behaviour over time. In the first stage, which they identify as 1890-1920, they describe as 'product oriented' the dominant characteristic of advertisements in which primarily descriptive copy underlined price, utility, and effectiveness in use. The researchers interpreted this as implying an appeal to a calculative rationality rather than to sentiment; these characteristics are also consistent with those appearing in Tedlow's phase 2, when high volume sales at low prices and margins represented the dominant marketing policy of suppliers of consumer goods. The following stage, between 1920 and 1945, is one which LK&J describe as a period when symbolic attributes were applied to products to emphasize quality rather than utility and price; common metaphors employed in advertisements were those associated with status, family, health, and social authority. These features are consistent with the emergence of market segmentation of the kind Tedlow delineated, an approach to consumers which implied an ability on the part of suppliers to discriminate between subgroups of consumers through 'value pricing' and high margins. LJ&K's subsequent two stages are essentially those in which segmentation by lifestyle is refined by shifting the emphasis in advertising from non-rational to behaviourist to a person-

[22] Tedlow, *New and improved.*
[23] Hollander, 'Marketing concept'.
[24] Leiss, Kline, and Jhally, *Social communication.*

centred appeal (1945-65) when persons as prototypes and metaphoric-emotive themes were prominent in advertisements; segmentation after that took the form of an appeal to individuals' identification with groups defined by lifestyle and activities (1965-85), with text and images containing metaphoric themes of leisure, health, and reference group identification.

In the light of factual errors and with the possibility of alternative interpretations to which critics have drawn attention in Tedlow's analysis,[25] the intention here is not to suggest that the stages of marketing development are superior to those offered by other historians of marketing and consumption, but to caution against wholesale rejection, at least so far as the American experience is concerned. Hollander's caveats concerning the stages approach are well founded for several reasons. It is not always clear whether the criterion for including a particular form of activity in one period rather than another is that it originates at that time or that it becomes dominant then. Because of the nature of the exercise, it is inevitable that judgement rather than statistical evidence is the basis for the construction of stages and thereby contributes to the disparity between the competing schemas. The justification for scepticism is Scranton's empirical evidence on the structure and organization of American industry, particularly the consumer goods industries, during the critical decades between 1880 and 1920.[26] Although his research focused primarily on relationships between technology, organization, and product, his conclusion was that custom, batch, bulk, and mass manufacturing were to be found across the industrial spectrum throughout the period, in both consumer and producer durable and non-durable goods.[27] Clearly this has implications for any model which presents modes of marketing as the corollary of oligopoly and mass production, as all of the model builders tend to do. His conclusions suggest an alternative, more complicated interpretation of the character and dynamics of American capitalism at that time. With the exception of the research of LJ&K, and a reinforcement which Scranton's contribution gives to an enduring diversity in production,[28] even those schemas which focus on consumer goods do not distinguish between different products and product markets.

Hollander is surely correct to emphasize that what changed over time were the techniques, intensity of application, degree, and style associated with these market-oriented activities, that developments overlapped chronologically,[29] though the research of LK&J leaves a question relating to his insistence that elements of continuity have been more remarkable than discontinuities, even if they may have been observed in only a limited set of product markets. There is ample evidence that even the greater volume of research carried out into the history of marketing in

[25] See especially Hollander and Germain, *Was there a Pepsi generation?*, and Cohen, 'Mass in mass consumption'.
[26] Scranton, 'Manufacturing diversity'.
[27] *Idem, Endless novelty*, pp. 4-9.
[28] *Idem*, 'Diversity in diversity'.
[29] Hollander, 'Marketing concept', p. 537.

the US compared with other countries has produced disagreement which only further detailed research will help to clarify. British historians, however, are even further from a consensus for, as yet, such topics as market research, advertising agents, or professionalization of product development and product design, do not form part of an integrated picture in which connections between business enterprises (whether engaged in manufacturing or services), the advertising industry, and consumers have been adequately explored.

Regardless of whether the three-stage model is of the textbook variety or the heavily modified form, such as that constructed by Fullerton, it seems to be intuitively plausible that the introduction, diffusion, and development of identifiably modern techniques of marketing occurred at different times and at different speeds, depending upon the characteristics of the economy, industry, or product market under consideration. The crudest of the tripartite models appears to rule out the possibility that at any particular time some firms competing within the same industry or market might justify the description production-, sales-, or market-oriented. However, even Kotler's analysis, which accepts the tripartite division between production, selling, and marketing concepts as valid marketing philosophies, implies that the stages approach is unsatisfactory. While he described the production-oriented philosophy as having the longest history and noted that only since the 1950s had the 'marketing concept' become the dominant paradigm in business, he also observed that the concept continues to be more dominant in some areas of activity than in others; branded, packaged goods were affected first, whereas financial services have only recently begun to catch up.[30] Even within these different sectors, firms may exhibit characteristics oriented simultaneously towards more than one of the factors, production, sales, or marketing, conceivably the consequence of the internal and/or the economic environment.

While, as described above, historians of marketing thought and those adopting the approach of the academic marketing textbooks have attempted to analyse development systematically, their analyses are based mainly on institutional or geographical criteria, though the changing social dimensions of markets also find a place in some of the recent literature. In the American context, in addition to LK&J's sociological study, several works, notably those by Marchand, Strasser, Baird, and Clarke, have explored a dimension almost entirely absent from the work of British researchers.[31] That missing dimension consists of the changing relationships between product and consumer in which firms are the mediators, whether as distributors or advertising agents, an approach which acknowledges changes in 'the market' in which over time intangible characteristics have assumed increasing importance. The same may be said of changing

[30] Kotler, *Marketing management* (1997 edn), pp. 14-26.

[31] Marchand, *Advertising the American dream*, pp. 33-5, 74-6, 229-32, 341-52; Strasser, *Satisfaction guaranteed*; Clarke, 'Consumer negotiations'. For attempts by American historians to deal with this subject as it relates to the history of advertising in nineteenth-century Britain, see Richards, *Commodity culture*, and Loeb, *Consuming angels*.

perceptions of a 'product' and the process by which it is developed (whether as an innovation involving changing technology and/or production process or through 'lesser' transformation), and its implications for marketing different categories of goods.

By attaching significance in formulating their criteria for periodization to how products were perceived by advertisers, LK&J's approach is potentially seminal for historians of marketing more generally. For to the extent that their analysis is valid, it seems reasonable to suppose that producers as well as advertising agents (who, in the United States at least, were becoming increasingly involved directly in product development from the 1920s)[32] were also affected, either influenced by or contributing to the changing perceptions of products which advertisements presented in graphic form.

III

One omission from the research of LK&J is the attempt to explore the possibility that different categories of goods were advertised by different methods. Bordern pointed to three important factors which affected levels of advertising: the scope for product differentiation, the presence of 'hidden qualities' which prevented the consumer from gaining a full appreciation of the benefits offered by a product, and the potential for making an appeal to consumers' emotions—for example, anxiety concerning health. Each of these factors tended to raise the propensity for advertising.[33]

The importance of distinctions between products for the purpose of marketing analysis is also central to the literature inspired by the information theory introduced by Stigler.[34] Insofar as historians have drawn any distinction between different types of goods these have been descriptive categories rather than analytical ones. The popular marketing classification of convenience goods, shopping goods, and speciality goods is unsatisfactorily ambiguous, since the definitions depend partly on the buyer rather than on the item itself.[35] Porter's classification is similarly weak analytically, for he chose the type of retail outlet, rather than the nature of the product itself, as the discriminating factor.[36]

Nelson focused his analysis, which extended Stigler's information theory approach concentrated on price comparisons, to embrace qualitative factors affecting consumer behaviour. He divided products into two categories, 'search goods' and 'experience goods', the distinguishing factor being the costs to the consumer of obtaining information about the products before purchase.[37] He observed that while some products could be subjected to detailed inspection prior to purchase, for some goods the cost

[32] Meikle, *Twentieth century ltd.*, pp. 69-75.
[33] Bordern, *Economic effects of advertising*, pp. 424-8.
[34] Stigler, 'Economics of information'.
[35] Holton, 'Distinction between convenience goods', pp. 53-6.
[36] Porter, 'Consumer behaviour', pp. 419-36.
[37] Nelson, 'Advertising as information'. See also *idem*, 'Consumer information'.

of obtaining sufficient information, other than price, to decide whether to purchase the product was so costly that the cheapest solution was to buy it. Other analysts of the content of advertisements have similarly divided products into two major categories: search goods, which by their very nature could be sampled easily before purchase, and experience goods, for which sampling was difficult or practically impossible without purchasing first.[38] They then categorized products possessing different characteristics which, they argued, could explain different balances in advertisements between information content and 'persuasive' content. For example, books are sold mainly through informative advertising to facilitate consumers in their searches, while alcohol is sold mainly through persuasion. In the 'search goods' category fall all clothing and footwear, furniture, carpets, jewellery. In the 'experience non-durable goods category' are foods, drink, soap, perfume and other toiletries, and pharmaceuticals. 'Experience durable goods' comprise books, appliances, clocks and watches, motor vehicles and parts, paints, and scientific equipment. They argued that the distinction between search and experience products profoundly affected the economics of advertising and marketing, principally because of the cost of gaining information about their quality. Consumers' sampling of search goods is less costly than the sampling of experience goods, because they need not purchase search goods to know their attributes; consequently, consumers compare more brands for search goods. The advertising content of search goods will contain more 'hard' information—specific claims about price and quality—which can be verified to a considerable extent in searching before purchase. The advertising of experience goods tends to contain less factual information because it is only experience which will enable the consumer to test false claims. The seller's main constraint is the consumer's option of repeat purchase.

While change is not of primary interest to those contributing to this literature, their work is of interest to historians because it underlines the importance of the contrasting nature of different products. Their conclusions raise the possibility that insofar as the stages identified by LK&J may be accepted as real they may have applied only to certain categories of product. While this research was limited to the approach of professional advertisers to marketing thought and practice, it would not be unreasonable to infer that simultaneous changes in the attitudes and activities of producers also occurred. The research, therefore, prompts the question: how have product attributes affected the behaviour of decision makers with respect to product development and marketing strategy, and have these changed over time? Also deserving further exploration is their changing perception of the psychology of consumers. Taken together, the literature reviewed here suggests that a contextualization of firms' activities in a framework of broader, cultural, demographic, as well as the more obvious, better researched forms of economic and social changes, could be a fruitful avenue for future research. Within that

[38] Resnick and Stern, 'Analysis of information content', pp. 50-3; Norton and Norton, 'Economic perspective on information content', pp. 138-47.

framework, however, it seems clear that products and product development could provide a central and unifying focus.

Before proceeding to review the literature on product development, however, it is relevant to return to the definition of marketing quoted above.[39] More comprehensive than those in the literature which previously had emphasized selling, Alford's perception of marketing as beginning with product is helpful inasmuch as a firm's 'product' is accorded central importance. However, the definition implies that the product itself is a given, thus avoiding the question of product innovation and development, of why firms produce the products they do, and of when and why the products which a firm produces have changed. A different perspective on marketing has developed, beginning in the US in the 1960s, which has shifted away from viewing corporate strategy as essentially determined by product and given productive assets.

In the literature of industrial economics, of organizational behaviour, and of management, product development has come to be seen as the key to corporate change,[40] a view which has a relatively long history. In a classic article in which he suggested 'there is no such thing as a commodity', Levitt stressed the superiority of a market over a product definition of a business, emphasizing the essential nature of a business as a customer-satisfying process rather than a goods-producing process; this he justified by underlining not only the opportunity for the physical or image differentiation of a product but also the support through services which enabled a potential buyer to perceive differences constituting a basis for choice.[41] Like Levitt, Ansoff viewed the product policy of a firm (not only those producing consumer goods) as having primacy over finance, production, and personnel; he regarded marketing as the principal instrument by which a firm's overall objectives were achieved.[42] A recent analysis of the foundations of contemporary business success led Kay to observe that 'The key issue for the firm is its choice of markets—in both product and geographic dimensions—and its membership of an industrial or strategic group follows from that.'[43] This perspective is fundamental to articles published in *The Journal of Product Innovation* since it first appeared in 1984. Translated into the dynamics of nineteenth- and early twentieth-century business, entrepreneurs, directors, and managers were first and foremost concerned with trading; industries comprised many trades, and the success or failure of trades depended on the success or failure of products as well as the support which they received in the market.

One implication is that historians of business processes need to pay greater attention to trying to answer the elementary economics textbook questions concerning what firms produce and for whom. These are

[39] Above, p. 407.

[40] For recent indications of the current literature on product development see the papers collected in Bruce and Biemans, eds., *Product development* and Littler and Wilson, eds., *Marketing strategy*.

[41] Levitt, 'Marketing myopia'.

[42] Ansoff, *Corporate strategy*.

[43] Kay, *Foundations of corporate success*, p. 127.

questions which, except as a part of single company studies, most British historians have tended to ignore. How have entrepreneurs and managers decided which businesses they were in, or should be in? What were the steps which preceded decisions to enter or leave a trade? In so far as they have applied themselves to innovation, the emphasis has been upon technological change, rather than the range of attributes which a product might possess which may have little, if anything, to do with technology. Though limited to a very recent short period and concerning electronics companies, research carried out by von Tunzelmann led him to conclude that the problem perceived by management was one of resolving the issue of whether to focus the company on its technological strengths and on process innovation, or on the strength of its product and on product innovation.[44] Paralleling these findings are those of Souder who focused on the question of disharmony within organizations between research and development (R&D) and marketing.[45] This raises the question: how far was the conception of new products and the prospect of newness-to-market or newness-to firms' development constrained by existing technology, capital, human resources, organization, or structure? Each of these questions when posed for different historical periods would probably yield different answers, forming the basis for another perspective on market and business development as well as on the changing process of product innovation. Hitherto, such considerations have been pursued almost entirely by historians of technical invention and innovation,[46] though they have attracted growing interest among economists. Pavitt argued that disaggregation was necessary if progress was to be made towards revealing sectoral patterns of technical innovation. He suggested a categorization which distinguished between several types of sector, each having different firm size characteristics, type of users, sources and direction of technological accumulation, and strategic managerial tasks. These sectors he divided into those which were supplier dominated (including many of the 'traditional' industries); those which were scale intensive (using bulk materials); information intensive (for example, financial services); those which were science based (electronics); and those which were specialist suppliers (software).[47]

A further question then arises concerning the relationship between product development and marketing strategy, of which product development is only one dimension. Ansoff's conception of corporate strategy, in which marketing was perceived to be the dominant function, included product differentiation in addition to market penetration. In the context of the pursuit of competitive advantage, Porter categorized what he

[44] G. N. von Tunzelmann, 'Technology scale and scope' (unpub. paper, Science Policy Research Unit, Univ. of Sussex, June 1995); for a general discussion of product and process innovation, see *idem*, *Technology and industrial progress*, ch. 1 and p. 405.

[45] Souder, 'Disharmony'.

[46] Jewkes and Stillerman, *Sources of invention*; Dutton, *Patent system*; MacLeod, *Inventing the industrial revolution*; Rosenberg, *Perspectives on technology*.

[47] Pavitt, 'Sectoral patterns of technological change'; *idem*, 'Technology, innovation and strategic management'; Stoneman, *Economic analysis of technological change; idem, Handbook of the economics of innovation*; Dosi, 'Technological paradigms and technological trajectories'.

called the 'generic strategies' of cost leadership, differentiation, and focus; differentiation defined the distinctiveness of products as perceived by potential buyers, while strategies of scope narrowed down the target markets for the business.[48] Thus, Porter focused on identifying business strategy in the first place, whereas Ansoff was concerned with extensions of business strategy. The approaches of both implied the potential effectiveness of agents acting strategically—a factor which signals renewed interest in the human dimension in business processes. Reflecting such an approach, the textbook literature on marketing strategy continues to present analyses in sequential stages, beginning with corporate mission, SWOTS, internal and external position options, considerations, selection of strategy, and implementation.[49]

In parallel with dissatisfaction expressed by a growing number of adherents to the 'new economic sociology' with the efficiency theory approach to explaining industrial change, corporate development, and the competitiveness of firms, there has been an increasing volume of literature dealing with marketing strategy, and with product development in particular, which has moved away from a conceptual approach to marketing merely as a functional activity.[50] Instead, an increasing emphasis has been placed on marketing as an organizational philosophy or an attitude of mind towards business known as 'the marketing concept'.[51] This approach is associated with Mintzberg[52] and others who have contributed to an emerging theory of market evolution.[53] Fundamental to this approach is the greater emphasis on the impact of external forces on markets and therefore on marketing strategy, and a stress on organizational and environmental factors which constrain managers' decision making. Mintzberg characterized strategy as historically influenced patterns of streams of activities or similarities in the way in which an organization responded to the environment.[54] The resulting 'emergent strategies' were formulated only to a limited degree and interacted with actions which simply converged into patterns.[55] Positing deliberate and emergent strategies as polar extremes and maintaining that most fell between the two, he argued that 'Purely deliberate strategy precludes learning once the strategy is formulated; emergent strategy fosters it.'[56] Others have also emphasized the influence of organizational and managerial perceptions, in particular the

[48] Porter, *Competitive strategy*.

[49] Biggadike, 'Contribution of marketing', pp. 1-11. SWOTS stands for 'strengths, weaknesses, opportunities, threats'.

[50] Granovetter, 'Economic action and social structure'; Perrow, 'Economic theories of organisation'; Friedland and Robertson, eds., *Beyond the marketplace*; Powell and DiMaggio, *New institutionalism*; Roy, *Socializing capital*; Dosi and Malerbay, *Organization and strategy*, pp. 1-24.

[51] McKittrick, 'What is the marketing management concept?', p. 78; Kotler, *Marketing management* (1976 edn), p. 14. Biggadike, 'Contribution of marketing', pp. 11-26.

[52] Mintzberg, 'Strategy formulation'; *idem*, 'Crafting strategy'; *idem*, 'Generic strategies'.

[53] Biggadike, 'Contribution of marketing', pp. 11-26.

[54] Mintzberg, 'Strategy formulation'.

[55] *Idem*, 'Generic strategies'.

[56] Ibid.

contingent nature of marketing strategy.[57] Typically, companies were found to experience long periods of evolutionary change during which emergent strategies grew 'like weeds around the organisation', punctuated by periods of substantial transition during which organizations quickly adapted strategies, structures, and cultures in the search for renewed stability. Mintzberg emphasized the crucial importance of the capacity of an organization to decide when, as well as how, to adapt strategy: 'a key to managing strategy is the ability to detect emerging patterns and help them to take shape'. Such an interpretation clearly places the historical dimension as a central factor in affecting corporate success or failure: 'managers may have to live strategy in the future, but they must understand it through the past . . . organisations must make sense of the past if they hope to manage the future. Only by coming to understand the patterns that form in their own behaviour do they get to know their capabilities and their potential . . . crafting strategy requires a natural synthesis of the future, present and past.'[58] These reflections of the fundamental nature of corporate change and the business process offer encouragement to economic and social historians interested in business. For them a central concern is to explore and demonstrate the interplay of agency and structure in real time, beyond the limitations imposed by theorists who typically have operated on the basis of more or less fixed assumptions. As the management literature has shifted the balance away from a preoccupation with structures, a major weakness of the efficiency theory approach, to that of agency, at least one influential management constituency has acknowledged the centrality of the historical dimension to any study aimed at improving understanding of management decision making and processes.

There is, however, a danger that as a result of these shifts in orientation in the analysis of management and particularly the increasing emphasis on the marketing concept, product development will be regarded essentially as a process representing an attempt to satisfy consumer wants more efficiently and to give greater satisfaction to consumers. Yet, historians should not disregard the insights offered by the economic theory of competition which regards product development as an attempt by actors to create, retain, and exploit monopoly power or the possibility that in addition to monopoly aspects 'excessive' product differentiation may reduce consumer welfare. It remains important, therefore, for historians to continue to investigate the external forces affecting product development as well as those derived from within corporate organizations. Thanks to the literature of industrial organization and of economic history, this mode of inquiry has established a much richer literature than that which explores the internal factors, explaining patterns and trajectories specifically of product innovation and product development broadly defined, a subject which is examined next.

[57] Pettigrew, *Awakening giant*, pp. 440-8; Gronhaug and Falkenberg, 'Explaining strategy perceptions'.

[58] Mintzberg, 'Crafting strategy', pp. 66-77. Mintzberg et al., eds., *Strategy process*.

IV

The literature which connects product innovation with corporate strategy has been of two kinds. One has dealt with innovation, though mainly technical innovation,[59] the other with R&D. The innovation literature has tended to focus almost entirely on 'true innovations', either those which resulted in products which are completely new to the world, creating new markets, or those which are entirely novel products for which markets already existed. For the early industrial revolution period, the studies of inventions and patents by MacLeod and by Dutton took a broader view of what constituted an innovation.[60] A reaction born of dissatisfaction with previous attempts to develop a theory of technological change was Basalla's evolutionary analysis of the history of technology. Introducing the concept of 'artifactual diversity', he explained it in terms of limited progress resulting from choices made to achieve carefully selected goals within restricted frameworks.[61] Adopting a similar approach, Mokyr has suggested a Darwinian taxonomy of the history of inventions in an analysis which draws a distinction between three types of invention. First, mutations, which create totally new knowledge; second, recombinations, which apply knowledge from one area to another in such a way as to create a genuinely new artifact or method; and third, hybrids, which combine different inventions in a novel way even if the components were all known before.[62] Such concepts might fruitfully be applied to distinguish between different kinds of product development to illuminate the links between product and process innovation. Von Tunzelmann's inclination is to describe a typical sequence in which process innovation is a dominant influence in the direction in which product innovation develops,[63] whereas both Utterback and Duysters have presented evidence which suggests that product innovation leads process innovation.[64]

The other major theme in the historical literature of technical innovation is that which has focused on R&D, though the focus has been limited mainly to research rather than development and in science-based industries where historically R&D has been largest in volume and has also been assumed, therefore, to have been of greatest importance in those companies.[65] In this area, historians have tended to give attention to the measurement of expenditure rather than to the actual processes of development and the task of answering such questions as whether

[59] Mansfield, *Economics of technological change*; Carter and Williams, *Investment in technology and innovation*; Jewkes and Stillerman, *Sources of invention*; Schmookler, *Invention and economic growth*; *idem*, *Patents, invention and economic change*; Rosenberg, *Perspectives on technology*; Berg, 'Product innovation'.

[60] MacLeod, *Inventing the industrial revolution*; Dutton, *Patent system*.

[61] Basalla, *Evolution of technology*, chs. I-VI.

[62] Mokyr, 'Evolution and technological change'.

[63] von Tunzelmann, 'Technology, scale and scope'.

[64] Utterback, *Mastering dynamics of innovation*, pp. 124-5; Duysters, *Dynamics of technical innovation*.

[65] Sanderson, 'Research and the firm'; Fusfield, 'Industrial research'; Saul, 'Research and development'; Mowery, 'Industrial research'; Mowery and Rosenberg, eds., *Technology*; Edgerton and Horrocks, 'British industrial research'; Edgerton, *Science, technology*; Fox, *Technological change*.

research preceded or followed product policy decisions.[66] These, too, require archival sources of a kind which hitherto has proved to be scarce or inaccessible. In their recent survey, Edgerton and Horrocks noted that to answer questions concerning the effectiveness and efficiency of the formal R&D made by British firms required detailed study in itself. The unreliability of patent statistics, they argue, means that they are of little use as proxies for innovation.[67] It is necessary to ask how contemporaries defined and classified expenditure under that or similar headings; how precisely was that income spent, and what were the outcomes in terms of effects on product innovation?

Sanderson was the first to offer a periodization of the history of R&D in Britain, though his emphasis was on science and technology rather than on development. He concluded that in the period before 1914 'in-house' R&D was very limited, the key figure on whom the burden of discovery rested being the individual inventor-entrepreneur who sometimes benefited from such contact as he could establish with universities and with others in his own firm. During the 1920s and 1930s, the invention process involving R&D was brought into firms as a separate department, though one which also interacted with other organizations.[68] Fusfield's account is rather different, for he saw the 1930s as a period when the main focus of research management's attention was inside the laboratory, inside the company, and concerned primarily with the efficient management of funds. This was followed by a period when an increasing emphasis was placed on integrating the R&D function within the organization. In the 1960s, the emphasis shifted as increasing attention was directed to the impact of the economic environment on industrial research and vice versa, implying a shift from science and technology-driven to market-driven R&D.[69]

In the American context, Chandler has explained this institutionalization and integration of R&D within corporate organizations as a consequence of their being divided into many divisions during the early twentieth century.[70] However, to transfer this analysis to the British experience between the wars, as Kay's otherwise valuable study of the innovating firm has done,[71] does violence to the facts, for as Channon's study has shown, the adoption of M-form structures by British companies was, with a few notable exceptions, a phenomenon of the late 1960s and 1970s. Only two companies, Unilever and ICI, had adopted the M form in the 1930s and, of the 12 existing in 1950, eight were subsidiaries of American multinationals. During the 1960s, 13 British M-form companies were added.[72] Clearly, there are differences in these various accounts of the history of R&D in British companies which deserve further empirical

[66] For an important exception, see Gambalos and Sewell, *Networks of innovation*.
[67] Edgerton and Horrocks, 'British industrial research'.
[68] Sanderson, 'Research and the firm', p. 139.
[69] Fusfield, 'Industrial research', p. 13.
[70] Chandler, *Strategy and structure*, pp. 130-1, 362-3, 490.
[71] Kay, *Innovating firm*, pp. 70-2.
[72] Channon, *Strategy and structure*, p. 67.

study, particularly in relation to new product development with which Chandler and Porter associate R&D and corporate success. Observers writing in the 1960s and 1970s produced conflicting evidence on such matters as the process by which research budgets were decided, whether they were stable in relation to other forms of expenditure, whether the budget preceded the determination of the direction of R&D, whether allocations were specifically project-related, and definition of the role of the research leader.[73] While research networks or patterns of recruitment to research laboratories may have produced a degree of quasi-autonomous momentum and informal sub-corporate strategy, as at ICI for example,[74] it seems reasonable to assume that prior corporate decisions limited, if they did not direct completely, the paths which R&D should take. Recent research, both into R&D and into new product development, has emphasized the importance of networks to these processes, both within and between firms and organizations, though which might also operate in ways which adversely affected corporate strategy.[75] These issues concerning the process of R&D and its connection with product development deserve attention from historians, though within a context which recent work by Hannah suggests requires cautious inquiry. In an heroic attempt to assemble comparative data for selected years, though mainly for the post-1950 period, he suggested that businesses, in the UK and the US at any rate, spent more on advertising than they did on R&D.[76] Whatever the effect, whether on industrial structure or on competition within or between countries, these preliminary observations strengthen the case for further research into advertising and marketing generally. So, too, does recent research into relationships between advertising and industrial structure, notably that undertaken by Schmalensee for the US and Sutton for the UK, though their interests were primarily centred on the theoretical and empirical aspects of advertising in relation to changing industrial structure, conduct, and performance. Sutton divided industries into types according to the intensity of advertising strategies, conceptualizing expenditure on advertising as sunk costs which he interpreted as the principal factor in determining a firm's competitive stance and therefore affecting market structure. However, in a chapter entitled 'How history matters', Sutton signalled the importance of irregularities in affecting industrial structure at any point. He acknowledged the difficulty of establishing unambiguous relations between variables unless analysis is applied to the historical experience of companies over time, paying due attention to inherited resources and capabilities: 'the need to come to grips with historical influences is palpable'.[77] Like Sutton, Schmalensee acknowl-

[73] Kay, *Innovating firm*, chs. 4-6.

[74] Pettigrew, *Awakening giant*, pp. 440-8.

[75] Hart, 'Where we've been and where we're going'; Duysters, *Dynamics of technical innovation*; Mansfield and Wagner, 'Organisational and strategic factors'.

[76] L. Hannah, 'Delusions of dominance' (unpub. paper, 'A' session: 'Global enterprise and the wealth of nations, 1880-1990', International Economic History Association Conference, Milan, 1994).

[77] Sutton, *Sunk costs and market structure*, p. 324. For another acknowledgement of the importance of history in explaining the evolution of firms and the outcome of competition, see Arthur, 'Competing technologies', pp. 116, 128, and Nightingale, 'Evolutionary processes'.

edged that 'potentially important facts' sometimes cannot be reconciled with models, and that 'As is often the case in second best situations, decisions may well turn on very difficult questions of fact.'[78] Disentangling problems and processes which involve 'difficult questions of fact' has long been the historian's stock in trade.

V

In acknowledging the vital role of history for an understanding of corporate change, Schmalensee also accorded to a firm's 'inherited resources and capabilities' a potentially important causative influence. This implied a constrained pathway for product innovation and development in any one firm over time, yet that is not the assumption underlying much of the literature either of economics or of management science. The strategic choices relating to product development were spelled out in an important article in the management literature by Johnson and Jones.[79] The options they listed ranged from 'no change, or masterly inactivity' to the opposite extreme, that of entering entirely different product markets which involved novel technology, organization, and marketing strategy (thereby conforming to the functioning of the firm in neo-classical economic analysis, in which alternative possibilities are endless and undertaken on the basis of more-or-less rational assessment of financial returns on investment). Ansoff maintained that the crucial step in switching to a new product was discovery of a product/market or idea. This creative act occurred either within the firm or as a result of external information (based on market research), or possibly from information supplied via distribution channels. Ansoff also supposed that before the advent of modern market research (i.e., before the First World War in the US and certainly before the 1930s in the UK, and then applicable only to a few large companies), firms relied on a 'buckshot search technique' in determining their product ranges.[80] Had Ansoff's buckshot model been valid, then the notion of a product life cycle clearly had no relevance to corporate strategy, yet Porter's account of the conditions underlying each evolutionary stage of emerging industries and the transition to maturity and decline[81] bears some resemblance to the product life cycle.

Much of the literature which focuses on the product life cycle (PLC), which since the 1960s has attracted attention from theorists and practitioners alike, is agnostic. Levitt's original formulation of the PLC was intended to offer a basis for indicating which strategies were most appropriate for the stage in which the product could be identified: introduction, growth, maturity, decline. Subsequent commentary has increasingly emphasized the limitations of such a concept which is descriptive rather than predictive, which underestimates the interdependence between

[78] Schmalensee, 'Product differentiation advantage'.
[79] Johnson and Jones, 'How to organise for new products'.
[80] Ansoff, *Corporate strategy*.
[81] Porter, *Competitive advantage of nations*. See also, *idem*, *Competitive strategy*, ch. 8.

market evolution and product development, and which overlooks the potential for renewing the life of products by developing new market segments.[82] In general, the analytical approaches derived from the literature on technical innovation are applicable to product innovation though the two are not equivalent, as the literature on marketing, management, and product innovation makes clear. The literature which deals with corporate, organizational, and behavioural influences on innovation is also relevant to product innovation. The work of Simon and of Cyert and March[83] interpreted differences in levels of technical innovativeness as a consequence of the switching on and off of 'problemistic search activity'. Penrose saw 'organisational slack' or underemployed managers as a source of innovation.[84]

Even the literature which defines a new product in terms of technical innovation, however, reveals that most new products to which firms have committed themselves either fail or never reach the market, and that non-technical, even non-economic factors appear to account for around 50 per cent of the explanation for failure and inter-firm variance in the degree of innovative adoption.[85] This is consistent with the analysis by Kravis and Lipsey[86] of Britain's industrial competitiveness as reflected in international trade since 1945 and the study by Schott and Pick which showed that qualitative factors (rather than price) accounted for at least 50 per cent of the explanation for trade deficits in several manufacturing sectors.[87] The juxtaposition of these two conclusions points to the significance of two assertions. The first is Rogers' definition of a new product as 'perceived novelty'[88] which allows consumers to place different value preferences on the bundle of characteristics or 'attributes'[89] a single product might possess. Such attributes might include not only fundamental use-value, but qualities in appearance, packaging, or availability through a distribution channel and after-sales service, all of which will be set against price. The second assertion is the often-repeated criticism of the textbook assertion that firms must obtain a product differential advantage, namely, that it overlooks the possibility of securing advantage from the offer conditions which depend on price, promotion, and distribution, each of which can affect market share. This suggests why in some industries and markets 'first-mover' advantages have been offset by second-mover imitators possessing a marketing infrastructure and presence in the market capable of nullifying the impact of 'new-to-the-world products which create new markets',[90] not least through advertising.

[82] Polli and Cook, 'Validity of the product life cycle'; Buzzell and Gale, *PIMS principle*.
[83] Simon, *New science*; Cyert and March, *Behavioural theory of the firm*.
[84] Pettigrew, *Awakening giant*.
[85] Carter and Williams, *Investment in technology*; Mansfield, *Economics of technological change*; Dosi, 'Technological paradigms and technological trajectories'; Utterback, *Mastering the dynamics*.
[86] Kravis and Lipsey, *Price competitiveness*, pp. 153-6.
[87] K. Schott and K. Pick, 'Effect of price and non-price factors on UK export performance and import penetration' (University College London discussion paper 35, 1983).
[88] Rogers, *Diffusion of innovation*.
[89] Lancaster, *Consumer demand*, pp. 1-9.
[90] Booz, Allen, and Hamilton, *Management of new products*.

Yet, with the exception of Nevett's monograph,[91] advertising and market research are aspects of marketing which have received little attention from British historians. West has established the outlines of the development of the advertising industry in Britain in competition with American advertising agencies.[92] However, the relationships between agencies and clients, and the relative importance of market research to companies' strategies on product innovation as well as advertising in Britain have barely been touched upon.[93] Little is known about the advice accepted or rejected by companies on such matters as targeting markets, positioning products, promotional campaigns, expenditure levels, and methods of advertising. How often was the advice offered by advertising agencies acted upon and with what effects? The intentions of advertising agents to advise clients on their product range as well as on how to position and advertise individual products also underlines the importance of exploring the process of product development in the period before it came within the ambit of professionals employed by advertising agencies.[94] There is a lengthy gap between the classic industrial revolution period (when, typically, an individual combined all roles—inventor, innovator, production manager, salesman, financier), and the twentieth century when integrated companies with many divisions and advertising agencies dominated a growing proportion of business, particularly in the consumer goods industries of industrialized economies. Before the 1920s, the salesman was the bridge between producer and consumer, though by that decade, at least in the US, advertising agents were already beginning to influence product characteristics. They did this first through their personal involvement with the new industrial designers whom they recommended to manufacturers and later by themselves evaluating the product ranges of producers before making recommendations concerning future strategy.[95] Two recent studies, one dealing with American, the other with British salesmen, have concentrated more on their social and cultural history than on their role in business.[96] Yet they were the vital link between consumer and producer until product innovation and development became institutionalized within corporate organizations. The timing, extent, and character of that transition deserve examination as do the forms which institutionalization took and the results of this development.

In a seminal contribution to management literature published in 1968 Booz, Allen, and Hamilton (hereafter BA&H) analysed new product development. Using American data from the 1960s, they measured the importance of a range of factors which they considered to have been the source of novelty incorporated into new products entering the market. They found that 26 per cent represented additions to existing lines (related by class of product); 26 per cent constituted improvements to

[91] Nevett, *Advertising in Britain.*

[92] West, 'From T-square to T-plan'; *idem*, 'Multinational competition'.

[93] For an exception relating to the history of a single company see Fitzgerald, *Rowntrees.*

[94] Ward, 'Marketing convenience foods'.

[95] Meikle, *Twentieth century ltd.*, chs. 4-5; Marchand, *Advertising the American dream*, pp. vi-xii.

[96] Spears, *100 years on the road*; Hosgood, 'Knights of the road'.

existing products; 20 per cent were new product lines which allowed firms to enter established markets; 11 per cent involved cost (price) reductions; 10 per cent were 'new-to-world' products which created new markets; and 7 per cent were novel through 'repositioning or market segmentation'. These findings imply that the traditional literature on innovation which has concentrated on technical invention and innovation might convey something about the 10 per cent 'new-to-world' products but leaves the major sources of novelty (accounting for 79 per cent as the outcome of marketing strategy) unexplained and largely unexplored. These findings also imply that, at least in consumer goods markets, considerable importance must be attached to advertising and related marketing strategy, for only 11 per cent in the BA&H study depended primarily on price changes to signal product differences.[97] Since then, the BA&H findings received broad confirmation in a comparative study of British and Japanese companies published in 1992.[98] Should the picture which emerges from the BA&H study for the 1970s and 1980s be acceptable as a valid representation of the character of competitive business strategy for that period, is it equally applicable to the previous hundred years? Or was technical innovation more central to product development and competition in earlier times, which is the impression created by the literature?

Another important dimension of product development which has also generated a substantial literature is that of diversification. One major theme has been the extent to which firms have diversified along a core trajectory, building (or not building) on resource- or technology-specific assets.[99] A renewed interest in the dynamics of market evolution has focused attention on explaining degrees of product differentiation and market concentration.[100] On the demand side, the key factors are seen to have been changing market boundaries, segmentation, and the purchasing behaviour of customers. On the supply side, the key elements in the explanation are the number of competitors, their relative sizes and market shares, and changing value-added structures. Again, the patterns identified are based on limited periods, adopt industrial rather than product and product market categories, and assume that the patterns are the result of an essentially rational process. Except at the level of the individual firm, the actual process by which diversification has proceeded historically has rarely been explored in detail.

A recent review of the literature on product diversification concluded that tests had not yet been devised to deal with the complexities which interdependence presented. Economists have been accused of having paid too little attention to understanding the scope or internal workings of firms and consequently 'until they have a better understanding about

[97] Booz, Hamilton, and Allen, *Management of new products*.

[98] Edgett, Shipley, and Fabs, 'Contributing factors to success'.

[99] Channon, *Strategy and structure*; Scott, *Purposive diversification*. See also the bibliography attached to Montgomery's survey article, 'Corporate diversification', pp. 176-80.

[100] Abell, 'Strategic windows', pp. 22-5; Buzzell and Gale, *PIMS principle*; Biggadike, 'Contribution of marketing', pp. 1-9.

why diversified companies look the way they do . . . we cannot be confident that we understand the fundamentals of resource allocation.'[101] Waterson's recent survey of product differentiation concluded with the observation that 'it could be said that with product differentiation anything can happen'.[102] Together, these admissions, which at the very least signal partial defeat by theorists and econometricians, offer encouragement to historians to probe the complexity of product innovation and diversification, whether through internal development or by acquisition, and to examine where such developments fit within changing corporate strategies over a lengthy period.

As well as the need to unravel the historical complexity of product innovation as a process, there is the question of its success, a problem addressed by Cooper and Kleinschmidt.[103] Based on an internationally comparative study of chemical firms over a four-year period (1989-92), their research suggested that market characteristics are less important to success than internally generated product differentiation. Their work revealed that low price strategies for new products were less successful as a route to financial performance than product development. Has this always been the case and, even if it has, is this generalization applicable to other industries and other markets? Non-product variables were not found to have been important in the chemical industry study, again raising the question of applicability to other areas of activity and of how representative and timeless this observation may be. The same is true of the question whether order of market entry was an important influence on success rates. Cooper and Kleinschmidt found that success rates were scarcely affected by whether a firm's product was first into the market. However, in terms of the PLC, products which were aimed at the introductory phase of a market (as distinct from a product which chemically was first of its kind but which did not establish a new category or product life cycle), revealed disproportionate failure rates. Most successful were those products entering in the early growth phases of the PLC.[104]

Another factor deserving exploration is the extent to which a firm's familiarity with a product affected success by mobilizing internal strengths and resources to advantage, as compared with a strategy involving the introduction of 'step-out' products. In the chemical industry, familiarity with the technology was a factor associated with successful new product innovation, though the authors concluded that synergies and familiarity were of only moderate importance in their effect on success. Another important finding which deserves historical examination is that neither market growth (distinct from market stability and market size), nor customer price sensitivity, nor the existence of a large, international market appears to have influenced new product outcomes. The same was true of the number of customers (whether one or many). Equally

[101] Montgomery, 'Corporate diversification', p. 175.
[102] Waterson, 'Models of product differentiation', p. 135.
[103] Cooper and Kleinschmidt, 'Major new products', p. 108.
[104] Ibid., pp. 100-3.

surprising, this also held true of the effect of the level of competition which was the prevailing environment in the industry.[105] The wide range of experiences recorded from these various researchers conveys no impression of pattern or trends, a reflection on the disparate character of the studies carried out. The literature provides clues and offers possibilities, but no strong hypothesis has yet emerged.

VI

What can historians who are interested in unravelling the business process and assessing comparative performance learn from this varied literature, the proliferation of which marks the increasingly widespread consensus that the study of any organization, not least the firm, can only progress through interdisciplinary research? The answers lie both in the directions which research might take and the methods which they might fruitfully employ. Critical for the historian is that this approach acknowledges the centrality of real time during which few, if any, of the relevant variables affecting decisions relating to product development remain independent, hence the increasing tendency to treat product-related decision making as integral to the problem of overall marketing strategy. Biggadike's recent review of the literature of marketing strategy concluded that research in marketing has a rich basis for hypothesizing, but that most research is 'ad hoc problem-oriented . . . with little attempt to integrate and extend relationships to other situations'.[106] In this respect the aspiring theorists have, it seems, made little more progress towards generalizations than have historians. At the same time, there is some acknowledgment among those exploring product development that history matters, though how actually to introduce and deal with the historical dimension is less evident. The February 1997 issue of the *Journal of Marketing Research* carried an article entitled 'The impact of organizational memory on new product performance and creativity'. After reviewing the literature concerned with this theme, its authors concluded that 'if organisations fail to understand the subtle ways in which different features of organisational memory influence product development, they may fail to harvest the full value of organisational learning'.[107] However, they had elaborated on this theme at length without once examining the real historical process by which organizational memory was created and evolved over time.

Theorists (or management scientists in search of theory) have produced a range of concepts and hypotheses which offer historians an opportunity to explore the processes involved in marketing strategy and product development in a more systematic way than has been evident in the past. The difficulty of researching the problem historically arises from the lack of visibility of the process of product development from outside the organization. And whereas systematic industry-wide analysis is possible

[105] Ibid., pp. 104-7; see also Cooper and Kleinschmidt, 'New products'.
[106] Biggadike, 'Contribution of marketing', p. 25.
[107] Moorman and Miner, 'Impact of organizational memory', p. 106.

for management scientists through the use of surveys and interviews,[108] historians are compelled to use other sources. The question of representativeness of the single firm investigation presents another difficulty unless the archival sources contain evidence of competitors' activities. Assuming that this is likely to be the case, then an approach which focuses on product markets might prove to be the most fruitful, explored within a simplified BA&H taxonomy as a conceptual framework.[109] Historians interested in the consumer goods industries might focus on products related to such markets as those in which consumers sought to satisfy perceived needs, though to what extent those needs have been 'created' by sellers would need to be explored. American research into the extent to which and how consumption patterns were increasingly affected by changing perceptions of products reflected in (or shaped by) advertisements has raised questions to which scholars' answers differ.[110] With the exception of two recent studies of advertising and 'commodification' in nineteenth-century Britain until the First World War,[111] there is no counterpart to this literature which explores the history of advertising, marketing, and consumption in Britain. Hitherto, the literature has supplied no answers to such questions as: why did companies introduce new products or modify existing ones? To whom, why, and how did they direct their advertising? When, by whom, and by what organizational mechanisms did this occur? When did companies' products in the market for X change and with what effects on firms and on competition in the market? Is it possible to identify inter-industry and inter-firm similarities and differences, and how did such patterns compare with experience in different product markets? Is it possible to achieve a more precise periodization and explanation of the trends in product development? The key elements in the agenda formulated here consist of gaps in the literature on most aspects of marketing during the period, but especially with regard to product innovation and trading, the process of gathering intelligence, and the use of information. In this connection the much neglected contribution of the commercial traveller deserves more attention than it has received hitherto.[112]

Elucidation of the patterns of marketing and product development deserves equal attention. Because the modern marketing concept is so wide ranging it offers a means of integrating apparently diverse aspects of firms' activities, from R&D to distribution, traditionally studied in isolation. It opens up the possibility of a synoptic view of the development of marketing with the development of markets: markets developed from the activities of households and the choices made concerning making and

[108] e.g., Booz, Hamilton, and Allen, *Management of new products*; Edgett, Shipley, and Fabs, 'Contributing factors to success'.

[109] e.g. in Edgett, Shipley, and Fabs, 'Contributing factors to success'.

[110] See above, pp. 410-11.

[111] Richards, *Commodity culture*; Loeb, *Consuming angels*. These are the starting point for an unpublished paper by the author of this article.

[112] The American salesman is the subject of Spears, *100 years on the road* (based primarily on literary sources); for aspects of the social history of salesmen in England, see Hosgood, 'Knights of the road'.

trading, with firms eventually taking over the central role in the market process. Another, later development in the evolution of markets occurred as vertical integration replaced markets with hierarchies which, in their turn, were superseded as markets and hierarchies were extended on a global basis. Such a perspective might invite consideration of a gender aware, transactions costs based, global research programme. The intention of this survey is more modest, proposing an area for research containing several specific points of focus which in the medium term offer a greater possibility of yielding grounded generalizations with which historians should be more comfortable, yet which, because of the tide of scepticism contained even in the theoretical literature on corporate dynamics, might be received warmly by other scholars.

Generalization awaits the patient, highly labour-intensive construction of empirical studies conducted within a broadly similar framework in which such fundamental questions need to be asked: how were decisions made as to what should be produced and for whom, both before and after the introduction of R&D and/or the adoption of professional market research, with or without the assistance of advertising agencies? Was search systematic or oriented towards problem solving? Or did search become systematic in a particular period or periods, and why? Hounschell has raised the question, how did entrepreneurs and managers gain information about consumers, how was it employed, and with what effects on products made, in terms of price, quality, design, or style?[113] The critique by Lamoreaux and Raff of Chandler's model of the rational, bureaucratic corporation refers to the central importance of adequate information on the basis of which effective managerial coordination of the kind implied in the model is required.[114] The possibility that distribution channels may be (or might have been in the past) vital sources of intelligence which influenced the policies of manufacturers seems to be highly plausible, but where is the evidence of whether, and precisely how, this occurred? All of these generalizations, hypotheses, and hunches warrant empirical investigation.

In the specific context of segmentation, Hollander and Germain have suggested ways of proceeding. They ruled out attempting to measure all segmentation by all companies over an extended period as 'both physically and economically impossible'. Case studies present one possibility, though the history of a specific market segment was the one which they chose;[115] a product market would also be a feasible approach, though potentially more fruitful for research extending beyond a consideration of market segmentation might be a combination of case studies within specific product markets. Here is an important agenda, not only for historians of marketing but also for historians of business generally as well as for those interested in the history of mass consumption. An interdisciplinary alliance between an economist and an historian of culture has resulted in a

[113] Hounshell, *From the American system.*
[114] Lamoreaux and Raff, *Coordination and information*, pp. 3-4.
[115] Hollander and Germain, *Was there a Pepsi generation?*

challenging study which, in addition to offering a critique of consumer theory, applied a 'systems of provision' approach to food and clothing in which marketing, including advertising and distribution, is an integral part.[116]

For the most part, British historians have maintained the long-standing division between economic and social, cultural, and design history, whereas some American historians have begun to adopt a broader approach in the search for answers to some of the questions raised above. As yet, in contrast to research on the British experience, their work has been focused mainly on the twentieth century and has adopted the case study approach. Clarke's review of this 'young' literature concluded that at such an early stage it defied easy generalization; it undermined the validity of the simple concept of consumer sovereignty,[117] drew attention to the fact that negotiations between firms and consumers were often important to the outcome of production and design, and pointed to the importance of market conditions and information associated with the nature of goods as factors affecting the behaviour of firms.[118] Thus, the absence of discernible patterns of change and the lack of an integrating basis for hypothesizing which characterizes the literature on organization, diversification, and product development also apply to the history of consumption.

Whereas historians of marketing and advertising accept the dominance of corporate marketing strategies of producers and mass retailers in creating the foundations for contemporary consumer culture,[119] a consideration of how consumers, by implication, have been manipulated, or indeed, of the specific role of consumers in the development of consumer culture is missing from their work. Though concentrating on recent history, an exception is the collection of essays edited by Butsch, in which theoretical and empirical contributions explored the interaction between American consumers and corporations in the process by which leisure was transformed into a commercially supplied consumption good. On the basis of the essays, he concluded that corporate control over consumers was not total, that subcultures within the population have been important sources of innovations on which corporations depend, and that 'Consumers participate in shaping new products and practices, which corporations in turn shape into profits and "mass culture".'[120]

In their major collection of essays contained in *Consumption and the world of goods*, Brewer and Porter emphasized the potential contribution which economic historians might make if their attentions were directed away from production and the internal activities of the firm towards the

[116] Fine and Leopold, *Worlds of consumption*. The concept of systems of provision is derived from a debate between sociologists on the relations between consumption, class, and modes of provision: see Saunders, *Social theory and the urban question*; Burrows and Marsh, *Consumption and class*, and Campbell, 'Sociology of consumption'.

[117] Clarke, 'Consumer negotiations', p. 9.

[118] Ibid., pp. 18-19.

[119] Tedlow, *New and improved*; Strasser, *Satisfaction guaranteed*.

[120] Butsch, ed., *For fun and profit*, p. 19.

interface between managers, intermediaries, and consumers, taking account of social and cultural dimensions, a view firmly endorsed and developed further by Clarke.[121] If it is accepted that the product, product strategy, and product innovation, interpreted as integral parts of marketing are as central to the history of firms and industries as they are to an understanding of the history of consumption, it is conceivable that a focus on product development could provide that 'fruitful and unifying concern' which Brewer and Porter believed the less precisely defined study of consumption could provide.[122] Increasing intellectual exchange between historians of consumer cultures and historians of business, separated hitherto by the presentation of either competing or parallel paradigms, might offer a basis for an interdisciplinary synthesis of the interrelated processes of business and consumption, teasing out the vital connections between the histories of products, firms, markets, and consumers.

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[121] Brewer and Porter, eds., *Consumption and the world of goods*, p. 1; Clarke, 'Consumer negotiations', pp. 1-6.

[122] Brewer and Porter, *Consumption and the world of goods*, p. 1.

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